Swellendam Municipality

FUNDING AND RESERVES POLICY, 2017

APPROVED BY COUNCIL ON 30 MAY 2017

Implementation date 1 JULY 2017

Issued in terms of section 8(1) of the Municipal Budget and Reporting Regulations, 2008

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PART 1: PREAMBLE

1.1. **WHEREAS** section 8(1) of the Municipal Budget and Reporting Regulations prescribes that a Municipality must have a Funding and Reserve Policy; and

1.2. **WHEREAS** section 168(1) of the MFMA allows the Minister, acting with the concurrence of the Cabinet member responsible for local government, to make regulations or guidelines applicable to municipalities and municipal entities; and

1.3. **WHEREAS** the MFMA aims to modernise budget and financial management practices by placing local government finances on a sustainable footing in order to maximize the capacity of municipalities to deliver services to all residents, customers, users and investors; and

1.4. **WHEREAS** the aforementioned provides for a Municipal Funding and Reserve Policy; and

1.5. **NOW THEREFORE** the Swellendam Municipal Council adopts the Municipal Funding and Reserve Policy as set out in this document.

PART 2: PURPOSE

2. This policy aims to ensure that Swellendam Municipality has sufficient and cost-effective cash funding in order to achieve its objectives through the implementation of its operating and capital budgets and to provide a measure for protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities by creating certain reserves.

PART 3: ALIGNMENT WITH THE MUNICIPALITIES' STRATEGIC GOALS AND OBJECTIVES

3. This Policy supports the following municipal strategic directions drawn from the Integrated Development Plan [IDP] and Strategic Development Business and Implementation Plan [SDBIP]:

    3.1. **IDP**: "*To facilitate economic development and integration of communities by utilising the resources of Council to increase the participation of local people in the mainstream economy and improve their livelihoods without compromising the financial viability of the municipality.*"

    3.2. **SDBIP**: *"To manage municipal resources in such a way that it improves the sustainability of the municipal assets and that financial planning and budget linkages can be optimised for improved service delivery and development"*

Issued in terms of section 8(1) of the Municipal Budget and Reporting Regulations, 2008

PART 4: CONTEXT, PRINCIPLES, VALUES AND ISSUES

4.1. Section 195 (1) of the Constitution requires that Public administration must be governed by the democratic values and principles enshrined in the Constitution, including, amongst others, the following principles:

a) A high standard of professional ethics must be promoted and maintained.

b) Efficient, economic and effective use of resources must be promoted.

c) Public administration must be development-oriented.

d) Services must be provided impartially, fairly, equitably and without bias.

e) People's needs must be responded to, and the public must be encouraged to participate in policy-making.

f) Public administration must be accountable.

g) Transparency must be fostered by providing the public with timely, accessible and accurate information.

4.2. The principles guiding this Funding and Reserve Policy are derived from the above and will therefore endeavour to promote:

a) Affordability;

b) Financial stability;

c) Equity; and

d) Efficacy.

4.3. Each functionary in the budgeting and accounting process must do so with care and judgment, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

4.4. A budget which is not cash-funded or where any of the indicators as listed in this document are negative, will not be passed unless acceptable reasons can be provided.

4.5. This policy sets out the assumptions and methodology for estimating the following:

a) Projected billings, collections and all direct revenues;

b) The provision for revenue that will not be collected;

c) The funds the Municipality can expect to receive from investments;

d) The proceeds the Municipality can expect to receive from the transfer or disposal of assets;

e) The Municipality’s borrowing requirements; and

f) The funds to be set aside in reserves.

PART 5: SCOPE OF APPLICATION

5. The Funding and Reserve Policy is applicable to Swellendam Municipality.

PART 6: MAINTENANCE

6.1. This Funding and Reserves Policy is the only policy for the Municipality and replaces any past policies in this regard.

6.2. Given the changing nature of the regulatory, control and operational environment of the Municipality, this Policy will be regularly reviewed and updated on an ongoing basis.

6.3. Any revision of the policy must be approved by the Municipal Council.

6.4. Whenever the Minister of Finance, the National Treasury or the Auditor-General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

6.5. When developing or amending this Policy, the Accounting Officer must ensure that the policy:

a) Is consistent with the most recent actual billings and collection trends;

b) Takes into account the credit rating of the municipality, the financial position of the municipality, the cost of borrowing and the capacity to repay debt;

c) Takes into account all the budget-related policies of the municipality, particularly recent amendments to any of those policies;

d) Takes account of any statutory requirements to set aside funds in reserves; and

e) Takes account of the transfer and disposal of assets.

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6.6. For clarification of any matter contained in this Policy, queries may be addressed

the CFO

PART 7: IMPLEMENTATION

7.1. This Policy is effective from the date of approval by the Council.

7.2. The Policy active before this one is repealed in its totality.

7.3. It is the responsibility of the various Line Department Managers to bring the content of this Policy to the attention of all parties concerned.

7.4. Enquiries on this Policy may be solicited from the Office of the CFO.

PART 8: GOVERNANCE AND REGULATORY REQUIREMENTS

8.1. Funding and reserves in terms of this Policy shall comply with the:

a) Constitution of the Republic of South Africa, 1996 as amended;

b) Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), sections 18, 19 and
168 [MFMA];

c) Local Government: Municipal Budget and Reporting Regulations, 2008 – section 8; and

d) Any other applicable legislation, regulations and policies that may govern funding and reserves and that are not in contradiction with the primary legislation referred to above.

8.2. **MFMA:**

a) Section 18:

1. An annual budget may only be funded from:
    a. Realistically anticipated revenues to be collected
    b. Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
    c. Borrowed funds, but only for the capital budget referred to in section 17(2)
2. Revenue projections in the budget must be realistic, taking into account –
    a. Projected revenue for the current year based on collection levels to date; and
    b. Actual revenue collected in previous financial years.

Issued in terms of section 8(1) of the Municipal Budget and Reporting Regulations, 2008

b) Section 19:

1. A municipality may spend money on a capital project only if-
    a. The money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget
    b. The project including the total cost, has been approved by the council
    c. Section 33 has been complied with, to the extent that that section may e applicable to the project.
    d. The sources of funding have been considered, are available and have not been committed for other purposes.

c) Section 168:

1. The Minister, acting with the concurrence of the Cabinet member responsible for local government, may make regulations or guidelines applicable to municipalities and municipal entities, regarding—
    b. financial management and internal control;
2. A regulation or guideline in terms of this section may—
    a. differentiate between different—
        i. kinds of municipalities, which may, for the purposes of this section, be defined either in relation to categories, types or budgetary size of municipalities or in any other manner;
        ii. categories of municipal entities;
        iii. categories of accounting officers; or
        iv. categories of officials; or
    b. be limited in its application to a particular—
        i. kind of municipality, which may, for the purposes of this section, be defined either in relation to a category, type or budgetary size of municipality or in any other manner;
        ii. category of municipal entities;
        iii. category of accounting officers; or iv. category of officials.
3. No guidelines issued in terms of subsection (1) are binding on—
    a. a municipality unless adopted by its council; or
    b. a municipal entity unless adopted by the council of the entity's parent municipality.

8.3. **Municipal Budget and Reporting Regulations:**

Issued in terms of section 8(1) of the Municipal Budget and Reporting Regulations, 2008

a) Section 8:

1. Each Municipality must have a funding and reserve policy which must set out the assumption and methodology for estimating –
    a. Projected billings and collections
    b. The provision for revenue that will not be collected
    c. The funds the municipality can expect to receive from municipal entities
    d. The proceeds the municipality can expect to receive from municipal entities
    e. The proceeds the municipality can expect to receive from the transfer or disposal of assets
    f. The municipality's borrowing requirements; and
    g. The funds to be set aside in reserves
2. When developing or amending the funding reserves policy of the municipality, the municipal manager must ensure that the policy –
    a. Is consistent with the most recent actual billings and collection trends
    b. Takes into account the credit rating of the municipality, the financial position of the municipality, the cost of borrowing and the capacity to repay debt
    c. Takes into account all the budget-related policies of the municipality, particularly recent amendments to any of those policies;
    d. Takes account of any statutory requirements to set aside funds in reserves; and
    e. Takes account of the transfer and disposal of assets

PART 9: FUNDING OF THE ANNUAL BUDGET

9.1. The annual budget may only be funded from:

a) Realistic anticipated revenues to be collected;

b) Cash-backed accumulated funds from previous years surpluses and reserves not committed for any other purpose; and

c) Borrowed funds but only for the capital budget.

9.2. Realistic anticipated revenue projections must take into account:

a) Projected revenue for the current year based on collection levels to date; and

b) Actual revenue collected in previous financial years.

9.3. Spending on a capital project may only be commenced once:-

a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget

b) the funding sources have been considered, are available and have not been committed for other purposes.

c) council has considered and approved:

i. The projected cost covering all financial years until the project is operational;

ii. The future operational costs and revenue on the project, including municipal tax and tariff implications.

9.4. In determining whether the budget is actually cash funded and in addition ensuring long - term financial stability, the Municipality will use analytical processes, including those specified by National Treasury from time to time.

PART 10: DEBT MANAGEMENT

10. Debt must be managed in terms of the Municipality's Credit Control and Debt Management Policy, together with any requirements of this policy.

PART 11: CASH MANAGEMENT

11. Cash must be managed in terms of the Municipality's Cash Management and Investment Policy.

PART 12: FUNDING THE OPERATING BUDGET

12.1. The operating budget provides funding to departments for their medium term expenditure.

12.2. The municipality categorizes services rendered according to its revenue generating capabilities as follows:

a) Trading services: services that generate predetermined surpluses that can be used to fund other services rendered by the Municipality

b) Economic services: Services that should at least break even, but do not necessarily generate any surpluses to fund other services rendered

c) Rates and General: Services that are funded by property rates, government grants or surpluses generated by the trading services.

12.3. Provision for Bad Debt and Depreciation, although non-cash items, are not to be used to balance operating shortfalls.

12.4. Operating budgets are financed from the following main sources of revenue:

a) Property rates;

b) Service charges;

c) Government grants, equitable share and subsidies;

d) Other sundry revenue, such as fines, interest received, etc.; and

e) Cash back accumulated surpluses from previous years not committed for any other purposes.

12.5. Guiding principles to apply when compiling the operating budget:

a) The annual budget must be cash funded: revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;

b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information;

c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region’s ability to pay;

d) Revenue from government grants and subsidies must be in accordance with the amounts promulgated in the Annual Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities;

e) Revenue from public contributions, donations or any other grants may only be included in the budget if there is acceptable documentation that guarantees the funds such as:

   i. A signed service level agreement; or

   ii. A contract or written confirmation; or

   iii. Any other legally binding document.

f) Property Rates are levied according to the Municipal Property Rates Act and the Municipal Property
Rates Policy;

g) Property Rates rebates and reductions are budgeted either as revenue foregone or as a grant as per a MFMA Budget Circular;

h) Projected revenue for service charges must be realistic and based on current and past trends considering the following factors:

   i. Metered services comprising of electricity and water;

   ii. Refuse removal services; and

   iii. Sewerage services.

i) Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone or as a grant depending on the conditions thereof;

j) Other projected revenue is charged in terms of approved sundry tariffs and fines considering the past trends and expected growth for each category;

k) Provision for revenue that will not be collected is made against the expenditure item debt impairment and is based on actual collection levels;

l) Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects and with no recurring operating expenditure;

m) Interest received from actual long-term and or short-term investments is based on the amount reasonably expected to be earned on cash amounts available;

n) Depreciation charges are fully budgeted for according to the asset register and to limit the impact of the implementation of GRAP 17;

o) Detailed salary budget must be compiled on an annual basis;

p) Sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels as maintenance budgets are normally lower than the recommended levels;

q) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over operating expenditure.

PART 13: FUNDING THE CAPITAL BUDGET

13.1. The capital budget provides funding for the Municipality's capital program based on the needs and objectives as identified by the community through the Integrated Development Plan.

13.2. The capital budget also provides for the eradication of infrastructure backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

13.3. Provision will be limited to the availability of sources of funding and affordability.

13.4. Funding sources:

a) Own Contributions:

i. Must primarily be funded from the Capital Replacement Reserve;

ii. May also be funded from surplus cash; and

iii. The allocations of the funding sources from own contributions are determined during the budget process.

b) Grants:

i. From the National and Provincial Revenue Funds has become common practice, especially in order to extend service delivery to previously disadvantaged areas;

ii. Care should be taken that unusual grant funding does not place an unreasonable burden on residents for future maintenance costs which may be higher than the ability to pay;

iii. The Accounting Officer must evaluate annually the long term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to Council;

iv. Depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets.

c) External Loans:

i. May only be raised in accordance with the municipal Credit Control/Debt Management Policy;

ii. The Accounting Officer must put measures in place to ensure that no unspent portions of loans are utilized for operating purposes;

iii. Difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year.

PART 14: FUNDING COMPLIANCE MEASUREMENT

14.1. The annual budget must comply with the requirements of the MFMA and this policy.

14.2. The indicators set out in 14.4 – 14.19 must be used as part of the budget process and be submitted with the budget. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

14.3. If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can be reasonably explained and future budget projections address the turn-around of these indicators within acceptable levels.

14.4. **Cash and Cash Equivalents and Investments:**

a) Positive Cash and Cash equivalent positions should be maintained throughout the year.

b) The forecasted cash position at year end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy.

14.5. **Cash plus Investments less Application of Funds:**

a) The Municipal cash position should be sufficient to include:

i. Unspent conditional grants;

ii. Unspent conditional public contributions

iii. Unspent borrowings;

iv. VAT due to SARS;

v. Secured investments;

vi. The cash position of statutory funds such as the Housing Development Fund;

vii. Other working capital requirements; and

viii. The cash position must be sufficient to back reserves as approved by the municipality and those portions of provisions as indicated elsewhere in this policy.

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14.6. **Monthly Average Payment Covered by Cash and Cash Equivalents:**

a) Shows the level of risk should the municipality experience financial stress.

14.7. **Surplus/Deficit Excluding Depreciation Offsets:**

a) To ensure a balanced budget but excluding depreciation charges, the depreciation charges may be offset against the net surplus/deficit.

b) Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

14.8. **Property Rates/Service Charge Revenue Percentage Increase less Macro Inflation Target:**

a) To ensure that tariff increases are in line with macro-economic targets, but also to ensure that revenue increases for the expected growth in the geographic area are realistically calculated.

14.9. **Cash Collection percentage rate:**

a) To establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

b) Collection rate must be based on past en present experience.

c) Not permissible to project a collection rate higher than the current rate.

d) Any improvements in collection rates during the financial year must be appropriated in an Adjustments Budget.

14.10. **Debt Impairment Expense as a Percentage of Billable Revenue:**

a) Provides information whether the contribution to the provision for impairment of receivables is adequate.

14.11. **Capital Payments as a percentage of Capital Expenditure:**

a) Provides information as to the timing for payments on capital projects and utilizing allowed payment terms.

14.12. **Borrowing as a percentage of Capital Expenditure:**

a) Provides information as to the compliance with the MFMA in determining borrowing needs.

14.13 **Grants Revenue as a percentage of Grants Available:**

a) Percentage should never be less than 100 % and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a separate report attached to the MFMA section 71 report.

14.14. **Consumer Debtors Change:**

a) To determine whether budgeted reductions in outstanding debtors are realistic.

b) An unacceptable high increase in either current- or non- current debtors' balances should be investigated and acted upon.

14.15. **Repairs and Maintenance Expenditure Level:**

a) Property, Plant and Equipment should be maintained properly, in order to ensure sustainable service delivery.

b) Sufficient resources should be allocated to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

c) If maintenance requirements become expensive, a capital strategy should be implemented or reviewed.

d) Maintenance budget should be between 4 % and 8 % of the value of the assets.

14.16. **Asset Renewal/Rehabilitation Expenditure Level:**

a) Supports the indicator for repairs and maintenance.

b) The Accounting Officer must indicate as part of the capital budget, whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

14.17. **Financial Performance Budget:**

a) A number of in line items influence the net result of the financial performance budget.

b) Includes capital grant revenue, depreciation charges including those funded from grants and public contributions, unamortized discounts and gains/losses on the disposal of Property, Plant and Equipment.

14.18. **Financial Position Budget:**

a) Provides an overall view of the projected financial position over the periods of the Medium Term Expenditure Framework, including movements in inventory and payables.

14.19. **Cash Flow Budget:**

a) Positive cash flow is a good indicator of a balanced budget, as well as the ability of the municipality to meet its future commitments.

PART 15: RESERVES

15.1. Ensure that funding is readily available for future development and the timeous replacement of infrastructure responsible for service delivery.

15.2. It is prudent for the Municipality to create cash-backed reserves at all time.

15.3. All reserves are ring-fenced as internal reserves within the accumulated surplus, except for provisions allowed by the General Recognized Accounting Practice.

15.4. **Cash Funded Reserves:**

a) Capital Replacement Reserve (CRR):

i. Only to be utilized for future capital expenditure from own funds and may not be used for maintenance or other operating expenditure.

ii. Must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the annual budget.

iii. Council shall establish a CRR for the purpose of :

i. financing capital projects, and

ii. the acquisition of assets.

iv. The CRR shall be established from the following sources of revenue:

i. unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes,

ii. interest on the investment of CRR, appropriated in terms of the investment policy,

iii. additional amounts appropriated as contributions in each annual or adjustment budget.

v. Before any asset can be financed from the CRR the financing must be available within the reserve and be available as this fund must be cashed backed.

vi. If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash.

vii. Transfers to the CRR must be budgeted for in the cash budget.

b) **Employee Benefits Reserve:**

a) To ensure sufficient cash resources are available for the future payment of employee benefits.
b) Contributions must be made in accordance with the directives set in this Policy or as prescribed.

c) **Non-current Provisions Reserve:**

i To ensure sufficient cash resources are available for the future payment of non-current provisions.
ii Contributions must be made in accordance with the directives set in this Policy or as prescribed.

d) **Other Statutory reserves:**

i May be necessary to create reserves prescribed by law, such as the Housing Development Fund.
ii The Accounting Officer must create such reserves according to the directives in the relevant laws

e) **Non-cash Funded Reserves:**

i If required, the Accounting Officer must create a non-cash funded reserves prescribed by GRAP, such as the Revaluation Reserve.

15.5. **Accounting for Reserves:**

a) Revaluation Reserve:

i. Must be done in accordance with the requirements of GRAP 17.

b) Other Reserves:

i. Must be processed through the Statement of Financial Performance. The required transfer to or from the reserve must be processed in the Statement of Nett Assets to or from the accumulated surplus.

ii. No transaction may be directly appropriated against these reserves.

PART 16: PROVISIONS

16.1. Must be revised annually (treated as current liabilities).

16.2. The Municipality should have the following provisions:

a) Leave provisions;

b) Landfill rehabilitation provisions;

c) Long-service awards; and

d) Post-employment medical care benefit.

e) Bad debt

PART 17: OTHER ITEMS TO BE CASH BACKED

17.1. Donations, public contributions and unspent conditional grants are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the relevant funding agreement.

17.2. Consumer deposits may serve as partial security for future payments of an account. These are considered liabilities as the deposit is utilised on the account once the service is terminated.

PART 18: DEFINITIONS

Accounting Officer/AO (MFMA) "-

(a) in relation to a municipality means the municipal official referred to in section 60; or…

(b) in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a
person acting as the accounting officer;"

Allocation (MFMA) – "means—

(a) a municipality's share of the local government's equitable share referred to in section 214(1)(a) of the Constitution;

(b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality,

otherwise than in compliance with a commercial or other business transaction;"

Auditor-General "- means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person— (a) acting as Auditor-General;

(b) acting in terms of a delegation by the Auditor-General; or

(c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;"

Budget-related policy – "means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

(a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property

rates; or

(c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of

the Municipal Systems Act;"

Category – "in relation to municipalities, means a category A, B or C municipality referred to in section 155(1) of the Constitution;"

Current year – "means the financial year which has already commenced, but not yet ended;"

Debt – "means—

(a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft,

or by the issuance of municipal debt instruments; or

(b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;"

Financial year – "The 12 month period between 1 July and 30 June."

Means a year ending on 30 June

Investment – "in relation to funds of a municipality, means—

(a) the placing on deposit of funds of a municipality with a financial institution; or

(b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of

preserving those funds;"

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Minister – “means the Cabinet member responsible for finance;”

Month – “means one of the 12 months of a calendar year;”

Municipal council or council – “means the council of a municipality referred to in section 18 of the Municipal Structures Act;”

Municipal entity – “has the meaning assigned to it in section 1 of the Municipal Systems Act;”

Municipality –

(a) “when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local

Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);”

Municipal manager – “means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act;”

MFMA: - The Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Municipal tax – “means property rates or other taxes, levies or duties that a municipality may impose;”

National Treasury – “means the National Treasury established by section 5 of the Public Finance Management Act;”

Official – “in relation to a municipality or municipal entity, means—

(a) an employee of a municipality or municipal entity;

(b) a person seconded to a municipality or municipal entity to work as a member of the staff of the

municipality or municipal entity; or

(c) a person contracted by a municipality or municipal entity to work as a member of the staff of the

municipality or municipal entity otherwise than as an employee;”

Parent municipality – “has the meaning assigned to it in section 1 of the Municipal Systems Act;”

Prescribe – “means prescribe by regulation in terms of section 168;”

Security – “means any mechanism intended to secure the interest of a lender or investor, and includes any of the mechanisms mentioned in section 48(2);”